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# Russia

# Poultry and Products

# Poultry Semi-Annual

# 2000

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**Report Highlights:**

**In 2000, the gap between domestic production and total domestic consumption of poultry meat is expected to increase marginally, as Russian production remains hampered by a need for investment and a shortage of inputs. In the long-term, Russia is expected to continue offering substantial opportunities for U.S. poultry exporters.**

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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## Executive Summary

Russia continues to import significant volumes of poultry meat despite of the economic hardships of its consumers. Total imports of poultry meat in 1999 are estimated at 535,000 MT, as domestic production of poultry is unable to meet total demand. In the short-term, poor genetics, lack of investment, outdated equipment and technologies, as well as insufficient inputs will continue to constrain domestic production. In 2000, total domestic production of poultry is expected to be fall 6 percent, indicating continued market opportunity for U.S. poultry suppliers. U.S. humanitarian aid shipments of poultry during 1999 helped to prevent sharp increases in poultry prices.

## Production

The Russian government's plan to increase domestic production of poultry meat to 800,000 MT in 1999 was unsuccessful, as production fell 6 percent from the previous year. During 2000, total production of poultry meat is expected to be 600,000 MT, the same as 1999. Humanitarian aid shipments of soybean meal prevented sharper declines in poultry meat and egg production. Overall, the domestic industry remains hindered by poor genetics , vaccine shortages, a lack of investment, and a shortage of animal feed.

An estimated 10 percent of Russia's poultry producers are efficient. During the latter part of 1999, American companies commenced poultry production activities in the Elinar and Lipetsk regions. These investments are positively impacting poultry production, as per day weight gain and overall production at these plants are increasing.

Import policies and the lack of agricultural reform also dampen development prospects of the poultry sector. For example, recent measures such as high tariffs and border entry restrictions, put in place to protect the domestic poultry industry, ironically seem to be stimulating illegal entry of low priced product to compete with domestic production.

## Consumption

Russian consumers continue to respond well to imported U.S. poultry products, as poultry meat remains the cheapest source of animal protein available. Although Russians can afford less meat, U.S. chicken leg quarters are still an affordable source of animal protein. During 2000 total consumption of poultry is expected rise marginally, in conjunction with imports.

Because official inflation was high (over 36 percent), and real incomes fell by 15 percent in 1999, some economic analyst believe that Russians are growing more dependent on dacha harvests. Although this occurred during the early period of transition of from communism to capitalism, today it seems unlikely. The young generation in Russia prefers to make money in order to purchase food products from neighbors, farmer's markets, and supermarkets. Around Moscow, there are many idle dacha plots, unexploited for agricultural production.

## Trade

During 1999, imports of poultry were higher than expected for several reasons:
- Sellers and buyers adjusted to new trade relationships following the economic crisis in 1998
- A significant amount of hidden trade occurred
- At the end of 1999, panic sells of chicken leg quarters stored in Baltic port warehouses occurred in response to a Russian Customs resolution prohibiting U.S. imports of poultry through Baltic countries
- Russian poultry production failed to expand as predicted, leaving a wider gap to be filled by imports

In 2000, imports are expected to reach 600,000 MT, about112 percent more than in 1999. Last year, humanitarian shipments of 76,000 MT of poultry helped to boost trade. This year, Russia announced lower import duties for poultry products beginning April 1, 2000. During the short term, significant export opportunities are expected to remain for U.S. exporters of poultry, as some 90 percent of Russian poultry production facilities are in poor condition with no relief foreseen.

**Table 1: Russian Poultry Imports, 1998 - 1999**

| 02.07 Poultry | Units | 1998 | 1999* |
|---|---|---|---|
| January | MT | 72,900 | 39,300 |
| February | MT | 64,604 | 38,100 |
| March | MT | 80,744 | 47,000 |
| April | MT | 72,315 | 68,000 |
| May | MT | 56,210 | 42,500 |
| June | MT | 79,385 | 45,000 |
| July | MT | 82,777 | 38,400 |
| August | MT | 46,617 | 36,000 |
| September | MT | 17,897 | 36,600 |
| October | MT | 16,550 | 34,500 |
| November | MT | 25,100 | 59,600 |
| December | MT | 20,000 | 50,000 |
| TOTAL | MT | 635,099 | 535,000 |

Source: Russian State Custom Committee
*Post estimates

## Policy

During 2000, a discriminatory Russian customs resolution threatens to substantially affect U.S. exports of poultry by restricting points of entry for U.S. product (see RS9046). Reportedly, the resolution was put in place to control illegal poultry trade. Although, it was originally expected to be implemented in the latter part of September 1999, the resolution has been suspended several times. Reportedly, Russian Customs is not prepared to implement necessary border control measures, and will suspend the measure indefinitely.

The Russian government recently announced lower import duties for some poultry products (See RS9062). On April

1, 2000, the minimum duty for most poultry products will fall from 0.3 Euro per kg to 0.2 Euro per kg.

However, in January 2000 the Russian government also announced plans to unify both the percent and the specific duty for all poultry products (including turkey) at 25 percent, but not less than 0.2 Euro per kilogram. Because the new measure must undergo technical reiterations, it is not expected to be put into force before June 2000.

## Marketing

Once again, poultry markets appear to be picking-up. Large quantities of whole chickens and chicken leg quarters are evident in supermarkets and kiosks along Moscow streets. The Russian food market is different today than it was when chicken leg quarters first came to Russia, almost ten years ago. There is a greater amount of specialization of among suppliers. This tendency is expected to continue in other large cities as well.
If poultry tariffs become rationalized, U.S. poultry is expected to have a bright future in Russia. However, at present U.S. imports of poultry are seen as undermining domestic poultry production. The US/Russian Joint broiler project helps to demonstrate that the U.S. and Russian poultry industry can work together successfully. By supporting “the domestic producer" new market segments like meat processing, or repackaging, may be discovered. At the beginning of 1998 (before the economic crisis), marketing a better quality of retail poultry seemed possible.

**Prices**

In comparison with other popular meat products, poultry remains the cheapest source of animal protein in Russia.

**Table 4: Wholesale Prices for Poultry, Pork, and Beef in Russia, January 2000**

| *Commodity* | *Rubles/kilogram* | *$ / kilogram* |
|---|---|---|
| **Poultry** | | |
| Leg quarters, imported | 23 - 25 | 0.81 - 0.88 |
| Turkey, imported | 24 - 26 | 0.84 - 0.91 |
| Whole bird, local | 32 - 36 | 1.12 - 1.26 |
| imported | 29 - 32 | 1.02 - 1.12 |
| **Pork** | | |
| Shoulder, France, Denmark | 34 | 1.19 |
| Trimmings | 39 | 1.35 |
| Fresh ham, bone in | 39 | 1.36 |
| Half carcasses | 36 | 1.26 |
| **Beef** | | |
| Trimmings | 37 | 1.30 |
| Ribeye Roll, Ukraine | 73 | 2.56 |
| Beef side | 35 | 1.23 |
| Boneless | 45 | 1.58 |

Source: Source: Satory Catalogue Internet service: www.satory.ru

In dollar terms, the average wholesale price of imported chicken leg quarters fell moderately during the last three months. However, in ruble values average wholesale prices of poultry rose 9 percent during that period.

**Table 2: Wholesale prices for Poultry in St. Petersburg, Russia**

| | November 1999 | | January 2000 | |
|---|---|---|---|---|
| | Rubles/ kilogram | $ / kilogram | Rubles/ kilogram | $ / kilogram |
| Leg quarters, imported | 21-23 | 0.84 - 0.92 | 23-25 | 0.80 - 0.88 |
| Whole bird, local | 29-34 | 1.16 - 1.36 | 32-36 | 1.12 - 1.26 |
| imported | 28-30 | 1.12 – 1.20 | 29-32 | 1.01 - 1.12 |

Source: Satory Catalogue Internet Service: www.satory.ru

U.S. shipments of 76,000 MT of poultry helped to stabilize poultry prices for Russian consumers. According to Russian trade statistics, the average retail price for poultry increased about 18 percent from January to August 1999; but only 3 percent from September to December when the food aid shipments of poultry began arriving.

**Table 3: Average Retail Prices for Poultry in Russia, 1999**

| Month | Poultry | |
|---|---|---|
| | Rubles/kilogram | $/kilogram |
| January $1=22.50Rbls | 32.30 | 1.43 |
| February $1=22.8Rbls | 34.10 | 1.50 |
| March $1=23.6Rbls | 35.52 | 1.51 |
| April $1=24.8Rbls | 35.50 | 1.43 |
| May $1=24.70Rbls | 35.91 | 1.45 |
| June $1=24.30Rbls | 36.37 | 1.50 |
| July $1=24.30Rbls | 38.10 | 1.57 |
| August $1=24.71Rbls | 38.22 | 1.55 |
| September $1=25.46Rbls | 38.40 | 1.51 |
| October $1=25.61Rbls | 38.80 | 1.52 |
| November $1=26.40Rbls | 39.00 | 1.48 |
| December $1=26.79Rbls | 39.28 | 1.47 |

Source: Torgovaya Gazeta, a Russian Poultry Trade Magazine

| PSD Table | | | | | | |
|---|---|---|---|---|---|---|
| Country: | Russian Federation | | | | | |
| Commodity: | Poultry, Meat, Total | | | | | |
| | | 1998 | | 1999 | | 2000 |
| | Old | New | Old | New | Old | New |
| Calendar Year Begin | | 01/1998 | | 01/1999 | | 01/2000 |
| Inventory (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Slaughter (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 640 | 640 | 640 | 640 | 600 | 600 |
| Whole, Imports | 30 | 30 | 20 | 25 | 30 | 25 |
| Parts, Imports | 790 | 790 | 580 | 510 | 570 | 575 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 820 | 820 | 600 | 535 | 600 | 600 |
| TOTAL SUPPLY | 1460 | 1460 | 1240 | 1175 | 1200 | 1200 |
| Whole, Exports | 1 | 1 | 1 | 1 | 1 | 1 |
| Parts, Exports | 5 | 5 | 5 | 5 | 3 | 3 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Exports | 6 | 6 | 6 | 6 | 4 | 4 |
| Human Consumption | 1394 | 1394 | 1194 | 1119 | 1156 | 1166 |
| Other Use, Losses | 60 | 60 | 40 | 50 | 40 | 30 |
| Total Dom. Consumption | 1454 | 1454 | 1234 | 1169 | 1196 | 1196 |
| TOTAL Use | 1460 | 1460 | 1240 | 1175 | 1200 | 1200 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL DISTRIBUTION | 1460 | 1460 | 1240 | 1175 | 1200 | 1200 |

| PSD Table | | | | | | |
|---|---|---|---|---|---|---|
| Country: | Russian Federation | | | | | |
| Commodity: | Plty, Meat, Chicken -16 wks | | | | | |
| | | 1998 | | 1999 | | 2000 |
| | Old | New | Old | New | Old | New |
| Calendar Year Begin | | 01/1998 | | 01/1999 | | 01/2000 |
| Inventory (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Slaughter (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 280 | 280 | 300 | 300 | 320 | 300 |
| Whole, Imports | 21 | 21 | 10 | 15 | 9 | 15 |
| Parts, Imports | 592 | 592 | 290 | 400 | 291 | 400 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 613 | 613 | 300 | 415 | 300 | 415 |
| TOTAL SUPPLY | 893 | 893 | 600 | 715 | 620 | 715 |
| Whole, Exports | 1 | 1 | 1 | 1 | 1 | 1 |
| Parts, Exports | 10 | 10 | 4 | 4 | 4 | 4 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Exports | 11 | 11 | 5 | 5 | 5 | 5 |
| Human Consumption | 857 | 857 | 575 | 685 | 595 | 690 |
| Other Use, Losses | 25 | 25 | 20 | 25 | 20 | 20 |
| Total Dom. Consumption | 882 | 882 | 595 | 710 | 615 | 710 |
| TOTAL Use | 893 | 893 | 600 | 715 | 620 | 715 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL DISTRIBUTION | 893 | 893 | 600 | 715 | 620 | 715 |
| | | | | | | |

| PSD Table | | | | | | |
|---|---|---|---|---|---|---|
| Country: | Russian Federation | | | | | |
| Commodity: | Poultry, Meat, Turkey | | | | | |
| | | 1998 | | 1999 | | 2000 |
| | Old | New | Old | New | Old | New |
| Calendar Year Begin | | 01/1998 | | 01/1999 | | 01/2000 |
| Inventory (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Slaughter (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 9 | 9 | 8 | 8 | 6 | 6 |
| Whole, Imports | 2 | 2 | 2 | 3 | 1 | 2 |
| Parts, Imports | 190 | 190 | 98 | 100 | 99 | 100 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 192 | 192 | 100 | 103 | 100 | 102 |
| TOTAL SUPPLY | 201 | 201 | 108 | 111 | 106 | 108 |
| Whole, Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Parts, Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Human Consumption | 200 | 200 | 107 | 110 | 105 | 107 |
| Other Use, Losses | 1 | 1 | 1 | 1 | 1 | 1 |
| Total Dom. Consumption | 201 | 201 | 108 | 111 | 106 | 108 |
| TOTAL Use | 201 | 201 | 108 | 111 | 106 | 108 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL DISTRIBUTION | 201 | 201 | 108 | 111 | 106 | 108 |
| | | | | | | |

| PSD Table | | | | | | |
|---|---|---|---|---|---|---|
| Country: | Russian Federation | | | | | |
| Commodity: | Poultry, Eggs | | | | | |
| | | 1998 | | 1999 | | 2000 |
| | Old | New | Old | New | Old | New |
| Calendar Year Begin | | 01/1998 | | 01/1999 | | 01/2000 |
| Layers | 180 | 180 | 170 | 175 | 180 | 170 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 33000 | 33000 | 31500 | 32500 | 31000 | 32000 |
| Hatch Eggs, Imports | 50 | 50 | 50 | 50 | 70 | 70 |
| Shell Eggs, Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 50 | 50 | 50 | 50 | 70 | 70 |
| TOTAL SUPPLY | 33050 | 33050 | 31550 | 32550 | 31070 | 32070 |
| Hatch Eggs, Exports | 50 | 50 | 50 | 50 | 50 | 50 |
| Shell Eggs, Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Exports | 50 | 50 | 50 | 50 | 50 | 50 |
| Hatch Eggs,Consumption | 2150 | 2150 | 2200 | 2150 | 2150 | 2150 |
| Shell Eggs, Human | 29400 | 29400 | 28000 | 29000 | 27420 | 28500 |
| Shell Eggs,OT.Use/Loss | 1450 | 1450 | 1300 | 1350 | 1450 | 1370 |
| Other Dom. Consumption | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 33000 | 33000 | 31500 | 32500 | 31020 | 32020 |
| TOTAL Use | 33050 | 33050 | 31550 | 32550 | 31070 | 32070 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL DISTRIBUTION | 33050 | 33050 | 31550 | 32550 | 31070 | 32070 |
| Calendar Yr. Imp. from U.S. | | | | | | |